

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2016/2017

BAC4674 – INTEGRATED CASE STUDY (All Sections / Groups)

30th May 2017
9.00 AM – 12.00 PM
(3 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages with 4 Questions only.
2. Answer all **FOUR** questions. Mark distribution for each question is given.
3. Please print all your answers in the Answer Booklet provided.

Spring Water Bhd

Spring Water Bhd is a 25-store chain in the Klang Valley that sells water heaters, water filters as well as various bathroom accessories. The company also has three factories located in Bangi, Semenyih and Shah Alam. Both factories in Bangi and Semenyih manufacture bathroom accessories such as soap dispensers, lotion dispensers, toothbrush holders, shower curtain and shower caps. Meanwhile, the factory in Shah Alam specialises in manufacturing bathroom tiles, water tap and shower nozzle. Since all factory buildings are very big and spacious, half of the space had been converted to warehouses to store all finished products at each location.

The company started in 2001 selling only water heaters and water filters, which were supplied by various local suppliers. Since the business had been doing extremely well, they managed to pull in some investors and getting bank loans, and had their first factory (which manufactures bathroom accessories) in the year 2005. They have never looked back ever since. The company expanded greatly since its incorporation, starting with only two branches in Petaling Jaya, and now it has 25 branches all over Klang Valley with 400 employees.

Spring Water Bhd is one of the well-known local companies in its industry and very reputable among customers, with its high quality products and customer services. Customers are usually small to medium size companies that purchased the products in bulk quantity, and direct consumers who purchased products for their bathrooms. The company has a very strong relationship with its many suppliers and continuously emphasised on high quality supply materials.

Tighter Competition

In the last few years, a few local companies have been rigorously trying to compete with Spring Water Bhd by offering cheaper price and more discounts to customers. The following is a conversation between Arman (Sales Manager) and Andy (Assistant Sales Manager).

Arman : Andy, have you been keeping track of our customers?

Andy : Yeah, why?

Arman : Well, nothing to be worried, but ... I think we need to watch out for those who have left us such as the two small hotels in Perlis. I don't want more of our customers to follow suit. Yes, they are not our major ones, but they still give us our sales numbers.

Andy : Don't worry, our competitors have been trying to get our customers since forever, and only in the last few years they managed to grab some .. even then, those who got snatched are the insignificant ones.

Anyhow, just relax. From my observation, the smaller customers are actually trying to save their cost. That is why they are attracted to the cheaper price offers and discounts given to them.

Apparently, some customers do not seem to mind if they get to purchase slightly lower quality products from these competitors at a cheaper price. And they usually prefer lower quality bathroom accessories products.

At the beginning of last year, a new competitor has hit town – a foreign company from Italy that emphasised on elegant and sleek features of its products. Some of the range of the products are directly competing with Spring Water Bhd, which are the water heaters and water filters. As of now, Spring Water Bhd has not felt any significant threat from this new Italian company, as the charged price of these Italian products are very expensive and not many customers are willing to spend their money on these expensive items.

Inventories Issues

After the last management meeting, Jason (Production Manager) raised his main concerns about the inventories to Sally (Warehouse Manager). Firstly, it has been reported that some of the completed manufactured products have been found to be missing from the warehouses. This has always been their issue because inventories do go missing from time to time, but the amount are too insignificant that they can write them off as part of damaged goods. However, since the last six-months, the missing inventories were too noticeable.

Jason : I am worried of the increasing numbers of missing inventories that we have kept in our warehouses. We have never had this problem before.

Sally : Sigh.. I know. The numbers are usually too small for cause of concern, but lately .. Can you imagine, just last week we actually lost 5 cartons of soap dispensers, and they were already nicely packed for delivery! It was outrageous!

Jason : We really have to find the culprit. And we need tighter controls of the warehouses.

Sally : Hmmm.. most of our employees have been with us for many years. They are like family, they are honest and we can trust them. Besides, we never had this big of a problem before. You know what? I just realised, we started to have these missing inventories ever since we started to employ the foreign workers.

Jason : Are you really sure? Because I don't buy it.

Sally : Well, I have done my homework and I have looked at the trend. By the way, we do have other bigger problems. There is an increase in the percentage of damaged products during production, and the quality of workmanship on some of the finished products are poor. They are not according to our standards.

- Jason : That is just GREAT! We are wasting our raw materials, there are more damaged products that became wasted and we have to write them off. Those that managed to finish the whole production process are low in quality, AND people keep on stealing the ones that are ready to be sold.
- Sally : Remember when we received the large orders from two of the new hotel chains, earlier this month? Well, since our manpower is still not enough, we have requested some of the local employees to do overtime ever since we got that orders. Do you think that is a cause to this problem too?

The New Accounting System

Realising the increase in the 'missing' inventories, Jason (Production Manager) suggested to the top management that their current accounting system be upgraded so that all modules are integrated. Currently, production and warehouse system are separately handled and information are only supplied to the management, for planning and budgeting, as and when they are required. Even though this had been the practice since the incorporation of the company, Jason feels that they could harness the advantage of the integrated system better in order to leap forward and keep up with the tighter competition they are currently facing.

After he presented his suggestion to the top management, it has been agreed that they should have a fully integrated system throughout all the 25 branches as well as the three factories. The Head of IT Department (Arnold) was consulted in order to get the best system that the company should proceed with. Arnold is not keen on getting a new system, but rather focuses only on integrating all modules that they currently have.

- Arnold : It's good that we get the go ahead from the top management last week. I have asked Malik to look around and get in contact with a few consultants, and we have selected 2 possible companies, which could do the job.
- Jason : Oh okay... that is good. And that is very quick.
- Arnold : I have briefed both consultants of our issues and asked them to come up with a proposal. Both consultants will do their presentation in three weeks' time, and I want you to join me during the discussion.
- Jason : No problem. Just let me know of the time ...

After two weeks, Arnold called Jason to his office after sharing the proposals from both consulting companies.

Arnold : Have you read the proposals? What do you think?

Jason : Yeah... about that. Hmmm... Both consultants are proposing two different solutions. IT Consulting is suggesting having a new tailor-made system for us, while Ez Express proposed retaining our current system, but focuses on integrating all of them under the same platform.

Arnold : Well, I would vote for EZ Express, because I think it is going to be a waste of time and effort in troubling ourselves in getting a new system. The one that we have now is still working very well.

Jason : I would disagree. I think we need to look beyond that. I know our main issue is about the inventories and getting all the modules integrated, but if we were to have a fresh new system with new hardware, it is going to be a great capital investment too. Besides, the hardware needs to be replaced soon too. So, why not killing two birds with one stone?

The New Production Manager

Jason had been part of the senior managers at Spring Water Bhd for the last 10 years. He has been holding the position as the Production Manager since he joined the company in 2007. The top management is very satisfied with his commitment and diligence towards his duties and responsibilities. Many production issues had been highlighted, tackled and solved since Jason took over from the previous Production Manager. Efficiency of the factory workers have seen a significant improvement and there has been an increase in terms of the productivity of the hours spent on manufacturing all products over these many years.

Earlier this month, Jason received an offer from a Taiwan manufacturing company and he decided to take up on that offer, which could see him getting more exposures and challenges in a new turf. He will be taking his young family along with him and relocate to Taiwan in August 2017. The Human Resource Manager (Hannah) has been tasked to recruit a new Production Manager to replace Jason, before he leaves the company. This is to ensure that proper handover can be done and appropriate knowledge can be shared with the new manager.

Hannah : (Picking up the office phone) Priya, can you come into my office now?

Priya : Sure, I'll be there shortly.

Hannah : Have you heard the news? Jason is leaving us.. I just received his resignation letter this morning. Sigh..

Priya : Oh, so the rumours that's been going around for weeks REALLY IS true ..

Hannah : Anyway, we have a big task ahead of us. We need to get a new replacement for that position.

Priya : Well, can't we just promote his assistant? What's his name? Hmmm... Stephen.

Hannah : It's not as easy as that. We still need to look at the requirements for the post.

Priya : Well, even if we look at the requirements, I still believe Stephen would fit all the criteria. How long has he been assisting Jason? Four years right? I am pretty sure he knows the ins and outs of the department by now.

Besides, I think Jason has been training Stephen for the job for quite some time. Haven't you realised? Stephen had been joining the top management meeting in place of Jason for a few times already.

Hannah : I know. I've heard of that too.. But, I am still keen on looking at other options so that we will get the best person for that position. Stephen has been trained yes, but I am a bit sceptical of his age. Don't you think he is too young to head the Department? Hmm.. why don't we try and get other candidates from outside?

QUESTIONS:

1)

- a) The following is Andy's opinion with regards to the competition with local competitors:

"Don't worry, our competitors have been trying to get our customers since forever, and only in the last few years they managed to grab some .. even then, those who got snatched are the insignificant ones."

Discuss whether you agree or disagree with Andy. (15 marks)

- b) Since there is a new Italian company in town, discuss if you think Spring Water Bhd should feel threatened with this new foreign competitor. (10 marks)

(Total: 25 marks)

- 2) How should the Production Department solve the inventory problems that they are currently facing? Focus only on these two issues:

- a) Stolen inventories in the warehouses and; (15 marks)

- b) Poor quality of workmanship on some of the finished products. (10 marks)

(Total: 25 marks)

- 3) Arnold and Jason has differing opinion on getting a fully integrated system throughout all the 25 branches as well as the three factories. If you have the final decision on this matter, which approach would you choose - getting a new tailor-made system or focus only on integrating all modules that they currently have. Write a memo to both Arnold and Jason your thoughts on the matter. Please provide your basis or decision criteria with regards to your selection of the approaches.

(25 marks)

- 4) Discuss whether you think the best approach in getting a new Production Manager to replace Jason is to promote his assistant Stephen or getting another candidate from outside of the company. You can present your discussion based on the advantages and disadvantages of the approaches.

(25 marks)

(Total 100 marks)

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